



# Australian Bureau of Statistics

## **1294.0 - Information Paper: ANZSIC 2006 Development, 2004**

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## **Summary**

### **About this Release**

#### **ABOUT THIS RELEASE**

Presents information on the revised ANZSIC 2006 development. This is a useful reference for users, as it provides an overview on the history of the ANZSIC, rationale for the review, conceptual basis of the new classification, the new division structure and the impact of the changes on ABS data. It also contains information on future developments such as communication strategy and critical dates for the implementation of ANZSIC 2006.

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## **Information on the ANZSIC Review - 2002**

### **Introduction**

The Australian and New Zealand Standard Industrial Classification (ANZSIC) was released in 1993. It was produced jointly by the Australian Bureau of Statistics and Statistics New Zealand and is presently used in both countries for the production and analysis of official industry statistics. It is also widely used in administrative systems and other statistical databases.

The purpose of an industry classification is to provide a standard framework in which units carrying out similar activities can be grouped. Each grouping of units defines an industry. These groupings facilitate standardised collection, analysis, dissemination and production of economic data on an industry basis.

It is time for the 1993 ANZSIC to be updated to ensure that it continues to reflect the structure of the current economy. There has been growth in the services, information and environmental areas, and the revised ANZSIC will reflect these changes in the economy. In addition, the revised ANZSIC will adopt a more consistent supply-side conceptual framework so that the classification better meets users' needs. The conceptual framework that will be used for the revised ANZSIC is set out in the section below titled 'Conceptual Framework of the revised ANZSIC'.

### **Aims of the Proposed Revision**

The ABS/SNZ review of ANZSIC 1993, which will culminate in ANZSIC 2006, is currently underway. The review aims to update the current classification to one which best reflects contemporary and future industries. The primary objective of this review is to develop an industry classification which meets the needs of key users. The following objectives will assist in this regard:

- recognition of the changing needs of users of industry data;
- implementation of a purer conceptual framework (that is, a supply side, production function framework);
- identification of new and emerging industries;
- updating industry descriptions to reflect the adoption of new materials, technologies and production techniques; and
- the provision to develop alternate industry views.

### **International Comparability and Developments.**

The North American Industrial Classification System 2002 (NAICS) is the most contemporary industry classification. The ABS and SNZ have agreed to use the top level structure of this classification as a starting point for revising the ANZSIC.

Both countries will also contribute to the review of the International Standard Industrial Classification (ISIC) due for release in 2007. The ABS and SNZ will aim to influence the direction taken by the ISIC review to ensure that the classification is flexible, reflects contemporary circumstances, and is relevant to a broad range of countries. We expect that ISIC 2007 will also be heavily influenced by NAICS (at least at the top level), which should at least ensure high level consistency between ISIC 2007 and ANZSIC 2006.

### **Impact of the proposed changes.**

The revision to ANZSIC will be substantial in some areas. However, the revised version will improve the ease of use of the classification, and will improve the quality of the statistical outputs provided by it. The change to the conceptual basis will result in some industrial activities being classified quite differently. This will require revisions to past statistical series to provide comparable data, that is, there will be a break in statistical time series. Overall however, the revised classification will be a much better reflection of the current economic structure in Australia and New Zealand.

Applying the supply side concept to the construction of the classification will result in changes to the classification of some industries. For example, the Wholesale and Retail definitions will change. This will impact on how businesses are classified into these industries and will affect time series data. Another change proposed for the revised classification includes the introduction of an Information Division that brings together industries that produce and communicate information.

### **Requirements of Stakeholders**

The initial development work has addressed problems with ANZSIC 1993 evident during the ongoing collection, analysis and dissemination of industry statistics. As explained above, the top level structure of ANZSIC 2006 has been agreed to, and the ABS and SNZ are now developing the detailed levels of the classification. Key stakeholders who indicate interest in participating in the review of the detailed level of a division will be contacted when we develop that division.

Input will also be sought from stakeholders on the information required to produce alternate industry views. For further information email **[economic.classifications@abs.gov.au](mailto:economic.classifications@abs.gov.au)**.

## **Conceptual Framework of the revised ANZSIC**

The conceptual framework of an industry classification can be based on supply or demand side economic principles.

The supply-side concept prescribes that economic units that engage in identical or similar production or service-delivery processes be grouped together into common industry categories. For example, units can be growing vegetables (an agricultural activity at the detailed level) which involves activities such as preparing land, planting, etc. However, an agricultural activity at a broader level could also include other agricultural activities such as sheep farming.

The supply-side concept focuses on production processes which are characterised by the capital equipment involved (e.g. agricultural equipment), material inputs used (e.g. crops, vegetables, animals), and human capital and related intangible inputs (e.g. the type of labour and expertise involved). Therefore at the detailed level there would be a category for vegetable growing and another category for sheep farming as the production processes are different.

In contrast, the demand-side, or commodity-oriented, concept is based on the use of commodities and services. This approach groups together commodities or services that serve similar purposes, that belong together and/or are used together, or that define specific markets.

The supply-side concept provides a more reliable means of recognising new industries created through the use of new technologies, materials, production methods and other factors. In most instances, these industries replace 'old' industries. From a demand-side perspective, this often involves the production of the same good or service using new production processes. The 'substitution' of processes often results in the death of one industry and the emergence of another, but because the product concerned and the market served remains the same, the demand-side concept does not recognise any change.

The current ANZSIC is based on a mix of supply and demand-side economic principles. The following criteria were used as the basis for establishing industry categories:

- (i) the character of goods and services produced;
- (ii) the uses to which the goods and services are put; and
- (iii) the inputs, physical processes undertaken, and the technology of production.

The inputs, processes and technology of production constitute the production function of business activity and is a supply-side concept, whereas the uses to which the goods and services are put is a commodity oriented approach, and is therefore a demand-side concept. The character of the goods and services produced is a by-product of the process of production.

In ANZSIC93, the goods-producing industries (i.e. agriculture, mining, manufacturing, construction) were defined using a supply-side concept, whereas the services-producing industries (e.g. property and business services) were defined using an inconsistent mix of

demand and supply-side concepts. The concept applied varies depending on the industry category concerned as there are no guidelines or 'weighting' assigned to them to determine when and how they should be applied. The wholesale and retail trade industries were defined using a demand-side approach – wholesale trade units are considered to serve businesses, whereas retailers serve households.

The absence of a consistent conceptual framework within the current ANZSIC is viewed as a major weakness as it creates anomalies within the classification and generally makes it difficult to use. A consistent approach guides decision-making and provides an overall philosophy for classifying units one way and not another.

The ABS and SNZ have agreed that the revised ANZSIC will be based on the supply-side concept so that there is a consistent approach to industry classification. To the extent feasible, economic units that engage in similar production processes will be classified to the same industry.

## **North American Industry Classification System (NAICS) 2002 Divisional Structure**

This attachment describes the NAICS 2002 division and subdivision structure. The ABS and SNZ has agreed that the NAICS 2002 divisional structure will be used as the basis for the revised ANZSIC.

### **Divisional Structure**

11 Agriculture, Forestry, Fishing and Hunting

21 Mining

22 Utilities

23 Construction

31-33 Manufacturing

42 Wholesale Trade

44-45 Retail Trade

48-49 Transportation and Warehousing

51 Information

52 Finance and Insurance

53 Real Estate and Rental and Leasing

54 Professional, Scientific, and Technical Services

55 Management of Companies and Enterprises

56 Administrative and Support and Waste Management and Remediation Services

61 Educational Services

62 Health Care and Social Assistance

71 Arts, Entertainment, and Recreation

72 Accommodation and Food Services

81 Other Services (except Public Administration)

92 Public Administration

## **Subdivision Structure**

### **11 Agriculture, Forestry, Fishing and Hunting**

111 Crop Production

112 Animal Production

113 Forestry and Logging

114 Fishing, Hunting and Trapping

115 Support Activities for Agriculture and Forestry

### **21 Mining**

211 Oil and Gas Extraction

212 Mining (except Oil and Gas)

213 Support Activities for Mining

### **22 Utilities**

221 Utilities

### **23 Construction**

236 Construction of Buildings

237 Heavy and Civil Engineering Construction

238 Specialty Trade Contractors

### **31-33 Manufacturing**

311 Food Manufacturing

312 Beverage and Tobacco Product Manufacturing

313 Textile Mills

314 Textile Product Mills

315 Apparel Manufacturing

316 Leather and Allied Product Manufacturing

321 Wood Product Manufacturing

322 Paper Manufacturing

323 Printing and Related Support Activities

324 Petroleum and Coal Products Manufacturing

325 Chemical Manufacturing

326 Plastics and Rubber Products Manufacturing

327 Nonmetallic Mineral Product Manufacturing

331 Primary Metal Manufacturing

332 Fabricated Metal Product Manufacturing

333 Machinery Manufacturing

334 Computer and Electronic Product Manufacturing

335 Electrical Equipment, Appliance, and Component Manufacturing

336 Transportation Equipment Manufacturing

337 Furniture and Related Product Manufacturing

339 Miscellaneous Manufacturing

### **42 Wholesale Trade**

423 Merchant Wholesalers, Durable Goods

424 Merchant Wholesalers, Nondurable Goods  
425 Wholesale Electronic Markets and Agents and Brokers

#### **44-45 Retail Trade**

441 Motor Vehicle and Parts Dealers  
442 Furniture and Home Furnishings Stores  
443 Electronics and Appliance Stores  
444 Building Material and Garden Equipment and Supplies Dealers  
445 Food and Beverage Stores  
446 Health and Personal Care Stores  
447 Gasoline Stations  
448 Clothing and Clothing Accessories Stores  
451 Sporting Goods, Hobby, Book, and Music Stores  
452 General Merchandise Stores  
453 Miscellaneous Store Retailers  
454 Nonstore Retailers

#### **48-49 Transportation and Warehousing**

481 Air Transportation  
482 Rail Transportation  
483 Water Transportation  
484 Truck Transportation  
485 Transit and Ground Passenger Transportation  
486 Pipeline Transportation  
487 Scenic and Sightseeing Transportation  
488 Support Activities for Transportation  
491 Postal Service  
492 Couriers and Messengers  
493 Warehousing and Storage

#### **51 Information**

511 Publishing Industries (except Internet)  
512 Motion Picture and Sound Recording Industries  
515 Broadcasting (except Internet)  
516 Internet Publishing and Broadcasting  
517 Telecommunications  
518 Internet Service Providers, Web Search Portals, and Data Processing Services  
519 Other Information Services

#### **52 Finance and Insurance**

521 Monetary Authorities - Central Bank  
522 Credit Intermediation and Related Activities  
523 Securities, Commodity Contracts, and Other Financial Investments and Related Activities  
524 Insurance Carriers and Related Activities  
525 Funds, Trusts, and Other Financial Vehicles

#### **53 Real Estate and Rental and Leasing**

531 Real Estate  
532 Rental and Leasing Services  
533 Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)

#### **54 Professional, Scientific, and Technical Services**

541 Professional, Scientific, and Technical Services

## **55 Management of Companies and Enterprises**

551 Management of Companies and Enterprises

## **56 Administrative and Support and Waste Management and Remediation Services**

561 Administrative and Support Services

562 Waste Management and Remediation Services

## **61 Educational Services**

611 Educational Services

## **62 Health Care and Social Assistance**

621 Ambulatory Health Care Services

622 Hospitals

623 Nursing and Residential Care Facilities

624 Social Assistance

## **71 Arts, Entertainment, and Recreation**

711 Performing Arts, Spectator Sports, and Related Industries

712 Museums, Historical Sites, and Similar Institutions

713 Amusement, Gambling, and Recreation Industries

## **72 Accommodation and Food Services**

721 Accommodation

722 Food Services and Drinking Places

## **81 Other Services (except Public Administration)**

811 Repair and Maintenance

812 Personal and Laundry Services

813 Religious, Grantmaking, Civic, Professional, and Similar Organizations

814 Private Households

## **92 Public Administration**

921 Executive, Legislative, and Other General Government Support

922 Justice, Public Order, and Safety Activities

923 Administration of Human Resource Programs

924 Administration of Environmental Quality Programs

925 Administration of Housing Programs, Urban Planning, and Community Development

926 Administration of Economic Programs

927 Space Research and Technology

928 National Security and International Affairs